

GRAYLING RECREATION AUTHORITY

ANNUAL FINANCIAL REPORT

YEAR ENDED SEPTEMBER 30, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Grayling Recreation Authority	County Crawford
Audit Date 9/30/04	Opinion Date 11/4/04	Date Accountant Report Submitted to State: 1/18/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

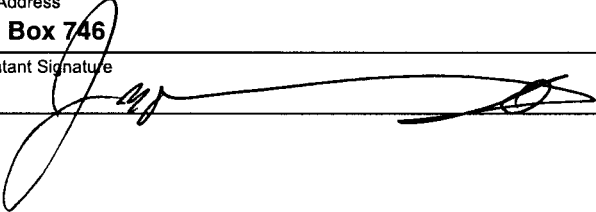
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Anderson & Decker, P.C.			
Street Address P.O. Box 746	City Roscommon	State MI	ZIP 48653
Accountant Signature 		Date 1/18/05	

GRAYLING RECREATION AUTHORITY

CRAWFORD COUNTY

BOARD OF DIRECTORS

Wally Walsh, Chairman

Gary McConnell, Vice Chairman

Pauline Petrosky, Treasurer

Brad Wagner, Secretary

Chris Seager

Cari Oppermann

Richard Jaskowski

Cindy Timmons

Dave Jansen

Leigh McDougall

GRAYLING RECREATION AUTHORITY

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Anderson & Decker, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

245 Lake Street • P.O. Box 746 • Roscommon, MI 48653
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INDEPENDENT AUDITORS' REPORT

November 4, 2004

Board of Directors
Grayling Recreation Authority
P.O. Box 361
Grayling, Michigan 49738

We have audited the financial statements of the business-type activity and major fund, which collectively comprise the basic financial statements, of the Grayling Recreation Authority as of and for the year ended September 30, 2004, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activity and major fund of the Grayling Recreation Authority as of September 30, 2004, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The managements's discussion and analysis are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.


ANDERSON & DECKER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

**GRAYLING RECREATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

Grayling Recreation Authority (GRA) was established with the cooperation of the Michigan National Guard and the State Military Board. A special law was passed to allow the "Authority" to operate as a "consortium" under a non-profit basis.

GRA maintains and runs Hanson Hills Winter Sports Park and Grayling Fish Hatchery. In addition, GRA organizes and runs recreation programs and special events that include Michigan Cup Races and new this year The Michigan Bike Festival.

Over all, income and expenses have decreased. This is partially due to management changes, reorganization of the board of directors positions, and winter conditions.

The building user fees decreased due to the loss of a long-term lease with Bears Bowman Archery Club. The club could no longer afford to pay the rent and utilities so they terminated the lease with GRA.

The unfavorable ski season had a significant impact on income. Partially due to poor weather prior to Christmas week (normally a seven to ten thousand dollar week). Throughout the season equipment for grooming and running lifts kept breaking down. As a result of the equipment problems, our hours of operation were inconsistent and made grooming unpredictable. We were closed the last day of February due to conditions and the groomer being completely out of service.

Next Year's Forecast

Winter operations should run much smoother than past years. The groomer has been repaired and maintained, a new tow rope has been installed, cross county trails have been re-routed and added to existing trail system, and a used groomer specifically for cross country trails has been put into service. New events include one new cross country race and the implementation of a new ski program.

A three year strategic plan is also in development.

GRAYLING RECREATION AUTHORITY
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2004

ASSETS

Current Assets:

Cash	\$ 460
Taxes receivable	<u>37,190</u>

Capital Assets - Net	<u>211,770</u>
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Total Assets	<u>249,420</u>
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LIABILITIES

Current Liabilities:

Accounts payable	6,048
Accrued liabilities	2,251
Due to City	4,800
Notes payable - Citizens Bank	<u>44,082</u>

Total Current Liabilities	<u>57,181</u>
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NET ASSETS:

Unrestricted	<u>192,239</u>
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Total Net Assets	<u>\$ 192,239</u>
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The accompanying notes are an integral part of the financial statements.

GRAYLING RECREATION AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2004

Operating Revenue		
Membership Fees	\$ 6,037	
Cross Country Ski Trail Fees	4,615	
Ski Tow Fees	17,335	
Ski Equipment Rentals	5,403	
Tubing Hill	6,264	
Locker Rentals	762	
Building User Fees	2,713	
Food and Beverage Sales	9,247	
Vending Sales	428	
Ski Shop Sales	662	
Lessons Fees	5,462	
Special Events	14,518	
Recreation Programs	9,832	
Hatchery Entrance Fees	30,691	
Fish Food Reimbursements	10,477	
Miscellaneous	<u>1,462</u>	
Total Operating Revenue		\$ 125,908
Operating Expense		
Salaries and Wages	120,671	
Fringes	32,867	
Supplies	13,874	
Maintenance	23,491	
Utilities	19,132	
Gasoline	3,768	
Promotion and Advertising	5,542	
Legal & Professional	4,305	
Insurance	21,656	
Sales Tax	592	
Food and Beverage	6,145	
Depreciation	43,288	
Special Events	7,342	
Uniforms	404	
Merchandise	1,071	
Hatchery Supplies	9,822	
Miscellaneous	<u>372</u>	
Total Operating Expense		<u>314,342</u>
Operating Income (Loss)		(188,434)
Nonoperating Revenues (Expense)		
Property Taxes	225,905	
Local Grants and Donations	3,725	
Interest Expense	<u>(2,546)</u>	
Total Nonoperating Revenues (Expenses)		<u>227,084</u>
Increase (Decrease) in Net Assets		38,650
Net Assets- October 1, 2003		<u>153,589</u>
Net Assets - September 30, 2004		<u>\$ 192,239</u>

The accompanying notes are an integral part of the financial statements.

GRAYLING RECREATION AUTHORITY
STATEMENT OF CASH FLOWS
FOR YEAR ENDED SEPTEMBER 30, 2004

Cash Flows From Operating Activities	
Received from Customers	\$ 125,258
Payments to Employees	(154,269)
Payments to Suppliers	<u>(167,831)</u>
Net Cash Provided by Operating Activities	<u>(196,842)</u>
Cash Flows From Noncapital Financing Activities	
Property Taxes	225,905
Local Grants and Donations	3,725
Interest Paid	<u>(2,546)</u>
Net Cash Provided by Noncapital Financing Activities	<u>227,084</u>
Cash Flows From Capital Financing Activities	
Purchase of Fixed Assets	(29,157)
Loan Proceeds	<u>-0-</u>
Net Cash Provided by Capital Financing Activities	<u>(29,157)</u>
Net increase (Decrease) in Cash and Cash Equivalents	1,085
Cash and Cash Equivalents at Beginning of Year	<u>(625)</u>
Cash and Cash Equivalents at End of Year	<u>\$ 460</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ (188,434)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation Expense	43,288
Change in Assets and Liabilities	
(Increase) Decrease in Taxes Receivable	(36,887)
(Increase) Decrease in Accounts Payable	31,600
Increase (Decrease) in Notes Payable	(27,915)
Increase (Decrease) in Due to County / City	(17,113)
Increase (Decrease) in Payroll withholding	(731)
Increase (Decrease) in Prepaid Memberships	<u>(650)</u>
Net Cash Provided by Operating Activities	<u>\$ (196,842)</u>

The accompanying notes are an integral part of the financial statements.

GRAYLING RECREATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

NOTE A - DESCRIPTION OF OPERATIONS AND FUND TYPE

The Grayling Recreation Authority was created March 1977 in accordance with the provisions of Act 156, PA 1917. Its purpose is to operate Rasmus Hanson Park and promote recreation in the Crawford County area with an emphasis on skiing. The Authority operates under a 9 member Board, appointed by the respective municipal corporations, comprised of 2 from the Township of Grayling, 2 from the Crawford-AuSable School District, 2 from the County of Crawford and 3 members-at-large. The Authority leases Rasmus Hanson Park from the State Military Board, State of Michigan, at no cost.

The Authority is, for financial reporting purposes within accounting principles generally accepted in the United States of America, an enterprise fund.

Grayling Recreation Authority is a jointly governed organization as defined by GASB No. 14 which states, "The laws in many states provide for the creation of regional governments or other multi governmental arrangements that are governed by representatives from each of the governments that created the organization. These organizations may appear to be similar to joint ventures, they provide goods or services to the citizenry of two or more governments, but many do not meet the definition of a joint venture because there is no ongoing financial interest or responsibility by the participating governments."

NOTE B - DESCRIPTION OF FUND

Enterprise Fund

This fund accounts for operations: (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or, (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Grayling Recreation Authority conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant policies.

GRAYLING RECREATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2004

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

The accrual basis of accounting is followed. The accrual basis provides that revenues are recorded when earned and expenditures are recorded when the related liability is incurred.

Capital Assets

Fixed assets are stated at cost or fair market value at date of acquisition. Costs relating to maintenance and repairs are charged to expense, whereas those for renewals and betterments, when significant in amount, are capitalized. Provisions for depreciation of equipment are computed on the straight-line method. Donated fixed assets are stated at their market value as of the donation date.

DEPRECIATION

Depreciation is computed on straight-line method for all capital assets. The depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

Building	30 to 50 years
Road Equipment	5 to 8 years
Shop Equipment	10 years
Engineering Equipment	4 to 10 years
Office Equipment	4 to 10 years

NOTE D - CASH DEPOSITS

Deposits are carried at cost. Deposits of the Authority are at 2 banks in the name of the Authority's Treasurer. Act 217, PA 1982, as amended, authorizes the Authority to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States,; repurchase agreements; banker's acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.

GRAYLING RECREATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2004

NOTE D - CASH DEPOSITS (CONTINUED)

Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money not listed above. The Authority's deposits are in accordance with statutory authority. The risk disclosures for the Authority deposits, as required by Governmental Accounting Standards Board (GASB) Statement No. 3, are as follows:

<u>Deposits</u>	Carrying	<u>Amount</u>	<u>Bank</u>
Insured (FDIC)		<u>\$ 460</u>	<u>\$ 1,225</u>

NOTE E - PROPERTY TAXES

Crawford County has a special millage of .50 mills for the Authority that is levied each December 1 on the taxable valuation of property located in the County as of the preceding December 31st. The tax is used for general operations of the Authority. Taxes collected for this fiscal year amounted to \$225,905.

NOTE G - CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2004 was as follows:

	<u>Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>End of Year</u>
Capital assets:				
Buildings and improvements	\$ 71,486	\$ -0-	\$ -0-	\$ 71,486
Furniture and Fixtures	24,551	3,378	-0-	27,929
Snow equipment	379,056	25,779	-0-	404,835
Miscellaneous equipment	<u>220,584</u>	<u>-0-</u>	<u>-0-</u>	<u>220,584</u>
Total capital assets	695,677	29,157	-0-	724,834
Less: Accumulated depreciation	<u>469,776</u>	<u>43,288</u>	<u>-0-</u>	<u>513,064</u>
Net capital assets	<u>\$ 225,901</u>	<u>\$ (14,131)</u>	<u>\$ -0-</u>	<u>\$ 211,770</u>

GRAYLING RECREATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2004

NOTE H - DUE TO CITY

The City of Grayling paid invoices for the fish hatchery and has agreed to be reimbursed \$1,200 per year over the next four years totaling \$4,800.

NOTE I - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority continues to carry commercial insurance for property, liability, wrongful acts, crime inland marine, and other risks of loss including workers' compensation and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE J - NOTES PAYABLE

Grayling Recreation Authority entered into an installment note agreement with Citizens Bank on October 19, 2001, in the amount of \$83,458 for the purpose of purchasing equipment. The note requires monthly payments of \$1,565.41 at an interest rate of 4.75% maturing on October 19, 2006. The following is a schedule of projected debt service requirements:

<u>Year Ended September 30</u>	
2005	\$ 18,785
2006	18,785
2007	<u>9,262</u>
Total Payments	46,832
Interest	<u>(2,749)</u>
Balance September 30, 2004	<u>\$ 44,083</u>

GRAYLING RECREATION AUTHORITY

REPORT TO MANAGEMENT

SEPTEMBER 30, 2004



Anderson & Decker, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

245 Lake Street • P.O. Box 746 • Roscommon, MI 48653
(989) 275-8831

November 4, 2004

Board of Directors
Grayling Recreation Authority
P.O. Box 361
Grayling, Michigan 49738

In planning and performing our audit of the financial statements of the Grayling Recreation Authority, as of and for the year ended September 30, 2004, we considered the Authority's accounting, operational, and internal control procedures to determine the nature and extent of our audit testing for the purpose of expressing an opinion on the financial statements of the Authority and not to provide assurance on the procedures themselves.

We did however, during the course of our audit, become aware of certain matters that are opportunities for enhancing those procedures or controls. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated November 4, 2004, on the financial statements of the Grayling Recreation Authority.

We have already discussed these comments and suggestions with the Authority's personnel, and we will be pleased to discuss them in further detail at your convenience, and/or to perform any additional studies of these matters, should you so desire.

Sincerely,



ANDERSON & DECKER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

**GRAYLING RECREATION AUTHORITY
COMMENTS AND RECOMMENDATIONS
SEPTEMBER 30, 2004**

Revenues

Reported income from several areas was down substantially from prior years. In some areas it appeared that activity/attendance had stayed the same or increased from the year before. The reductions in the skiing income could be contributed to the poor weather conditions and problems maintaining equipment. However, it appears that all areas lack proper internal controls.

Ski passes, kitchen/concessions, and fish hatchery should each perform reconciling duties on a daily basis. This would include providing to the treasurer a cash register tape that reconciles to cash and checks collected each day. Management should also compare these to the number of passes distributed and the number of entries at the fish hatchery by having a sign-in book or something similar. Also, kitchen/concession prices should be reviewed each season to maintain adequate profit margins.

Supervision and responsibility of those given cashier duties are important in maintaining proper internal controls. We recommend that enhanced controls be placed in service immediately.

Future Revenues

With revenues shrinking aside from property taxes collected the Authority should implement a short-term and long-term infrastructure plan/budget. Grants for programs and equipment are available and should be sought after. Expenses, including payroll, should also be reviewed by each program to determine the most efficient use of resources.